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No. 93-1431

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

MEDICAL ENGINEERING CORPORATION,
Petitioner,

vs.

AMERICAN MEDICAL SYSTEMS, INC.,
Respondent.

On Petition For A Writ of Certiorari To The United States Court of Appeals For The Federal Circuit

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BRIEF IN OPPOSITION FOR RESPONDENT AMERICAN MEDICAL SYSTEMS, INC.

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COUNTERSTATEMENT OF THE QUESTION PRESENTED

The damages provisions of the Patent Law are subject to a limitation in 35 U.S.C. § 287(a) (1988), which provides:

> Patentees, and persons making or selling any patented article for or under them, may give notice to the public that the same is patented . . . by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent. . . . In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

The question presented is as follows:

Whether the Federal Circuit was correct in interpreting 35 U.S.C. § 287(a) to preclude the recovery of damages for patent infringement only for the duration of the patentee's "failure so to mark" the patented article with the patent number, an interpretation entirely consistent with prior precedent, or whether—as contended by petitioner—a three and one-half month delay in marking allows an infringer to escape damages for infringement for the life of the patent, except for damages accruing after the infringer is actually notified of the infringement by the patentee.

RULE 29.1 STATEMENT

Respondent American Medical Systems, Inc. is a wholly-owned subsidiary of Pfizer Inc.

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COUNTERSTATEMENT OF THE CASE

American Medical Systems, Inc. (AMS) instituted this action in the United States District Court for the Eastern District of Wisconsin against petitioner Medical Engineering Corporation (MEC) for deliberate and willful infringement of United States Patent No. 4,597,765 (the '765 patent). App. 1. AMS's '765 patent claims apparatus and methods for packaging fluid-containing penile prostheses in a pre-filled, sterile state. App. 5.

Following a multi-week bench trial, the district court held that (1) the '765 patent was not invalid, (2) it was infringed, (3) MEC's infringement was deliberate and willful, (4) AMS was entitled to an injunction against further infringement, (5) MEC must pay enhanced damages of 1.5 times AMS's proven lost profits and reasonable royalties, and (6) rejected MEC's warranty counterclaims. App. 2. However, the district court limited AMS's recoverable damages to those incurred after the filing date of the lawsuit due to AMS's brief initial failure to mark its patented articles under 35 U.S.C. § 287(a) (1988). App. 2.

On appeal, MEC conceded validity and infringement, but challenged the district court's finding of willfulness, its award of enhanced damages, its alleged rejection of MEC's alleged jury demand and its rejection of MEC's warranty counterclaims. AMS cross-appealed the district court's limitation of its recoverable damages under 35 U.S.C. § 287(a). App. 2. A unanimous panel of the Federal Circuit affirmed the district court's finding of willful infringement, the court's enhancement of the actual damages by 1.5 times, and its rejection of MEC's warranty counterclaims. The Federal Circuit also found MEC's jury demand argument to be without merit. App. 23. On AMS's cross-appeal, the Federal Circuit concluded that the district

court improperly construed 35 U.S.C. § 287(a) by limiting AMS's recoverable damages to those incurred after the suit was filed. App. 2. It reversed and remanded to the district court for a determination of damages commencing from the time AMS began marking and shipping its patented product pursuant to § 287(a). App. 32-33. MEC sought rehearing *en banc* which was denied after full briefing by both parties. App. 117.

In discussing the history of petitioner's willful infringement, the Federal Circuit related the following sequence of events. AMS filed its patent application on December 27, 1984, and the '765 patent issued on July 1, 1986. App. 5. AMS began producing its patented prosthesis prior to issuance of the patent. In May of 1985, MEC personnel saw AMS's product, called the Hydroflex® prosthesis, at an American Urological Association trade show. MEC promptly abandoned its previous packaging configurations after it obtained a sample of the Hydroflex® packaging. MEC then adopted AMS's packaging that was found to infringe the '765 patent. App. 7.

Although MEC's petition asserts that AMS "deliberately" did not give MEC notice of infringement, MEC knew all about the '765 patent essentially from the beginning. As noted by the Court of Appeals, MEC learned of the '765 patent by late July 1986, only a few weeks after the patent issued.[1] App. 7. AMS's patent counsel also telephoned MEC's in-house counsel twice in August 1986, and advised MEC of

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[1] MEC's in-house counsel who learned of the '765 patent was actually employed by Bristol-Myers, of which MEC is a subsidiary, but he was responsible for MEC's patent matters.

the '765 patent. At that time no direct accusation of infringement was made by AMS. App. 7-8. MEC recognized that its product, called Flexi-Flate, infringed the '765 patent so it performed several patent validity searches. These opinions were withheld at trial. App. 8. At the end of August or the beginning of September 1986, MEC's in-house counsel allegedly advised MEC's president, in an undocumented oral opinion, that the '765 patent was invalid for obviousness. In-house counsel also advised that MEC's Flexi-Flate product fell literally within the scope of the '765 patent claims. App. 8.

AMS began fully marking and shipping its product with the '765 patent number about three and one-half months after its issuance. App. 24. Between the dates of issuance and full marking, AMS shipped 1,939 prostheses. App. 24.

Shortly after learning of AMS's '765 patent, MEC began to consider alternative packaging configurations but it did not start selling an alternative pack until after January 1988. App. 8. Even after it developed the alternative product and even though it was fully aware of the '765 patent, MEC continued to ship its remaining inventory of infringing Flexi-Flate throughout the remainder of 1988. App. 8.

While MEC's statement of the case avers that "no facts are disputed" (Pet. 2), the statement significantly omits important facts and distorts others. Once AMS commenced shipping marked products, its marking and shipping were consistent—not merely the shipment of "some or all" products with the patent numbers as alluded by petitioner. Pet. 3. AMS's marking, once initiated, was not random or sporadic as suggested by petitioner's misleading mathematical

statements that 60% of products lacked marking in the first six months after the patent issued and that 25% of the products lacked marking between the patent's issuance and the date of this lawsuit. Pet. 3.

MEC's percentages are all based on the 1,939 prostheses that were originally shipped without marking prior to October 15, 1986. Thereafter, marked products were shipped consistently and the unmarked percentage of the total number of shipped prostheses decreased accordingly. Such percentages have no legal connotation except to cause an incorrect perception that less than all products shipped after October 15, 1986 were marked.

Similarly, petitioner states that AMS did not give it "actual notice of infringement" until the complaint was filed, and that this was done "deliberately." Pet. 3. While petitioner may not have received such a pointed "notice of infringement" that it could file a declaratory judgment action, AMS called the patent to MEC's attention within a month after the patent's issuance. MEC already knew of the patent and yet it continued to infringe and was ultimately adjudicated a willful infringer. MEC is not an unwitting infringer aggrieved by AMS's alleged delay in marking; it is an adjudicated willful infringer who deliberately copied AMS's product, consciously ignored AMS's patent, and now is opportunistically hoping to seize on the initial, short delay in marking to avoid damages. Whether or not MEC received actual notice of infringement from AMS is irrelevant to the Federal Circuit's decision that damages commence when AMS began consistently shipping the marked product.

SUMMARY OF ARGUMENT

1. MEC's petition raises no special or important questions or ramifications, no decisional conflicts, and no serious departures from the accepted and usual course of judicial proceedings that require the exercise of this Court's discretion in granting a writ of certiorari. The decision below applies only to the narrow circumstance of when damages begin to run against a patent infringer in the event of a patentee's initial delay in marking. This is a routine patent case decided on common patent law concepts in which the Federal Circuit adhered to the plain language of 35 U.S.C. § 287(a), which precludes the recovery of damages for patent infringement only for the duration of the patentee's "failure so to mark" patented products with the patent number. Moreover, this interpretation is entirely consistent with the interpretation of two different circuit courts and several district courts which have addressed the exact same issue.

2. There is no violation of any Supreme Court precedent or improper public policy determination in the Federal Circuit's decision. The Supreme Court decisions referred to by MEC generally deal with the policy of the patent laws "in differentiating between ideas subject to patent protection and those freely available." Pet. 10. Nothing in the decision below conflicts with this general policy. The petitioner cites no decisions which pertain to the commencement of damages under 35 U.S.C. § 287(a). The decision below construed § 287(a) in a manner that encourages patent marking promptly upon the issuance of the patent, and in a manner that gives every incentive to mark as soon as possible if there is a "failure so to mark" at the outset. Nothing in the decision below discour-

ages patent marking. To the contrary, petitioner's interpretation affords little incentive to mark patented products if, through inadvertence or unavoidable circumstances, there is an initial and temporary failure to mark. In such an instance, petitioner's interpretation would require actual notice of infringement to commence the recovery of damages throughout the life of the patent, thus offering little reason for a patentee to mark the patented product.

3. The question as to the quantum of damages payable by a patent infringer where there is a delay in patent marking hardly presents an "issue of national importance" as asserted by petitioner. Pet. 19. The very fact that the decision below is entirely consistent with circuit court and district court precedents directly on point further negates any issue of "national importance." Nothing justifies petitioner's assertion that "Innovation is likely to be deterred" by the decision below. Pet. 20. The only deterred "innovation" here is that of a willful infringer desperately attempting to avoid the payment of damages for its deliberate acts.

ARGUMENT: REASONS FOR DENYING WRIT

1. The Petition Presents No Special And Important Reasons Or Extreme Departures From The Accepted And Usual Course Of Judicial Proceedings That Require This Court's Intervention.

MEC's petition should be denied because there are no "special and important reasons" for granting it, as required by Supreme Court Rule 10.1. The Federal Circuit's decision involved no conflict among circuit courts or anything else of an extraordinary or controversial nature. While the petitioner suggests that

some radical statutory construction has been made, and that the Federal Circuit stands in the way of justice because it is the only court with jurisdiction over patent appeals, the reality is that the Federal Circuit was merely applying the same statutory construction that had been previously given to § 287(a) by two different circuits as well as several district courts. The Federal Circuit has not "so far departed from the accepted and usual course of judicial proceedings . . . as to call for an exercise of this Court's power of supervision," as specified in Rule 10.1(a) of this Court. This is a routine case under the patent statute in which the court below followed the plain language of the statute in a manner consistent with ample and unconflicting precedent.

A. Far From Any Conflict Among Circuits Or Departure From Precedent, The Decision Below Merely Construed 35 U.S.C. § 287(a) In The Same Manner As Prior Circuit Court And District Court Decisions.

The Federal Circuit noted that both the Fifth and Sixth Circuits had specifically interpreted § 287(a) to allow damages from the time that actual marking began or from the time of actual notice of infringement, whichever came first. App. 27. The court below initially cited *Wm. Bros Boiler & Manufacturing Co. v. Gibson-Stewart Co.*, 312 F.2d 385-386, 136 USPQ (BNA) 239, 239-240 (6th Cir. 1963), in which the Sixth Circuit held that the patentee was entitled to recover damages from the time of compliance with the marking provisions of the statute, even though the patentee had failed to mark its patented devices for nine months after the date that the patent issued. That

holding was based on the district court's reasoning that:

> Unless and until the patentee marks his patent or serves actual notice upon an alleged infringer he can recover no damages, but . . . nothing in the statute requires marking or notice within any period after issue as a condition for recovery of damages for infringement. . . . The penalty for failure to do either [is] limited to denial of damages for infringement at any time prior to compliance with the requirements of the statute.

Id. at 386, 136 USPQ (BNA) at 240. App. 27.

The court below further pointed out that the Fifth Circuit followed the same reasoning in *Bros, Inc. v. W.E.Grace Manufacturing Co.*, 320 F.2d 594, 599, 138 USPQ (BNA) 357, 359 (5th Cir. 1963). There the court reversed the district court's limitation of damages to the filing date of the lawsuit, and it concluded that recovery of damages should be allowed from the date of marking. App. 27-28.

The Federal Circuit also cited district court decisions reaching the same conclusion with respect to § 287(a). It cited *Briggs v. M&J Diesel Locomotive Filter Corp.*, 228 F. Supp. 26, 63-64, 141 USPQ (BNA) 96, 127 (N.D. Ill.1964), *aff'd*, 342 F.2d 573, 144 USPQ (BNA) 701 (7th Cir.), *cert dismissed*, 382 U.S. 801 (1965), in which the district court held that despite a two year delay in marking, the patentee was entitled to recover damages for infringement that occurred after marking began. App. 28. It noted that in *Mosinee Paper Corp. v. James River Corp.*, 1992 U.S. Dist. LEXIS 2425, 22 USPQ2d (BNA) 1657, 1662, 1992 WL 41690 (E.D. Wis. 1992), the court

determined that the pantentee was entitled to full recovery of damages where the patentee did not begin to mark the product until 1980, prior to infringement, even though the patent in suit issued on August 21, 1979. App. 28.

Another decision discussed by the Federal Circuit at App. 26-27, was *Slimfold Manufacturing Co. v. Kinkead Industries, Inc.*, C.A. No. 1:78-CV-1978-JOF, 1990 WL 512961 (N.D. Ga. May 29, 1990), *aff'd.* 932 F.2d 1453, 18 USPQ2d (BNA) 1842 (Fed. Cir. 1991). In *Slimfold*, the patentee commercialized the invention before the patent issued on May 14, 1974, but did not begin marking the patented product until November 1, 1977. The defendant began infringing in June 1977, the first actual notice of infringement was given in March 1978, and suit was filed in October 1978. The district court held that the patentee was entitled to damages from November 1, 1977, when it began to mark its patented products consistently. App. 26. In reaching this conclusion, the district court in *Slimfold* reasoned that:

> The statute does not require marking within a particular time after issuance of a patent. Both the Fifth and Sixth Circuit Courts of Appeal have so held. *Wm. Bros. Boiler & Mfg. Co. v. Gibson-Stewart Co.*, 312 F.2d 385, 386, 136 USPQ (BNA) 239, 240 (6th Cir. 1963); and *Bros, Inc. v. W.E. Grace Mfg. Co.*, 320 F.2d 594, 599, 138 USPQ (BNA) 357, 359 (5th Cir. 1963): "The Court points out that there is ' . . .nothing in the statute requiring marking or notice within any period after issue as a condition for recovery of damages for infringement. . . .'" Liability for

> infringement begins with marking (or actual notice) whenever that occurs.

On appeal of the *Slimfold* case, the Federal Circuit specifically affirmed the district court's award of damages as of the marking date, although the specific question of the proper interpretation of § 287(a) was not before the court. 932 F.2d at 1456, 1459, 18 USPQ2d (BNA) at 1845, 1847. App. 26-27.

In light of this body of authority, the court below interpreted § 287(a) in a manner entirely consistent with well-established precedent in deciding the patent marking issue. The Federal Circuit's interpretation of § 287(a) was identical to the specific holdings of two circuits as well as district court decisions that were affirmed by two other circuit courts wherein appellants did not even see fit to appeal the marking statute issue. As properly observed by the Federal Circuit, "'MEC fails to adequately distinguish these cases or to convince us that their rationale is unsound." App. 28. Unable to distinguish these cases, the petitioner has simply omitted any reference to them in its petition for certiorari.

The Federal Circuit's holding is entirely consistent with these unconflicting precedents directly on point. Thus, it cannot be said that the decision below "so far departed from the accepted and usual course of judicial proceedings, or sanctioned such a departure by a lower court, as to call for this Court's power of supervision." Supreme Court Rule 10.1(a). Moreover, the commencement of the running of damages against a willful patent infringer when there is a brief delay in marking is hardly "an important question of law which has not been, but should be, settled by this Court" as stated in Supreme Court Rule 10.1(c).

B. The Federal Circuit's Decision Does Not Conflict With The Plain Language Of 35 U.S.C. § 287(a).

Without mentioning the foregoing precedents followed by the Federal Circuit, the petitioner contends that the Federal Circuit's construction of 35 U.S.C. § 287(a) conflicts with the "plain language" of the statute. Pet. 7-10.

Section 287(a) provides as follows:

> Patentees, and persons making or selling any patented article for or under them, may give notice to the public that the same is patented . . . by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent . . . . In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

The court below found no conflict between the above precedents and the plain language of the statute, holding at App. 30 that:

> The plain language of section 287(a) does not provide any time limit by which marking must begin, nor does the legislative history indicate any such limitation. Congress structured the statute so as to tie failure to mark with disability to collect damages, not failure

> to mark *at the time of issuance* with disability to collect damages.

The Federal Circuit noted that the marking statute is permissive,[2] not mandatory ("may give notice to the public"), App. 25, and it simply viewed the phrase "failure so to mark" as describing a temporal state which can be terminated in the passage of time. The brief delay in marking was held not to be a "failure so to mark" once consistent marking began. Under this view of the Federal Circuit and the other courts that have decided this same issue, when a "failure so to mark" no longer exists then the statutory consequence of "no damages" no longer exists. The damages provision of the patent laws, 35 U.S.C. § 284, comes into play when the damages limitation of § 287(a) ceases to apply.

Contrary to this eminently reasonable, straightforward construction supported by the purpose behind

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[2] The change in the marking statute in 1952 from a mandatory requirement to a permissive matter gives indication that a permanent penalty is no longer envisaged for a "failure so to mark" that is only of a temporary duration. The Federal Circuit's decision described the 1952 amendment as follows at App. 25:

> R.S. 4900 [the prior statute] provided that "it shall be the *duty* of all patentees . . . to give sufficient notice to the public that the same is patented . . ." (emphasis added). In 1952, Congress amended R.S. 4900 to become the present section 287(a), changing the language to make marking permissive rather than mandatory, so that a "patentee . . . *may* give notice to the public" by the specified marking. Act of July 19, 1952, ch. 950, § 287, 66 Stat. 813.

The pre-1952 precedents relied on by petitioner MEC below were correctly ruled inapplicable by the Federal Circuit due to the statutory amendment. App. 28-29, n. 15.

the statute and well-established precedent over three decades, the petitioner interprets "failure so to mark" as a state which bears permanent consequences. Once it occurs, petitioner contends, there must be a "penalty paid"—namely, no damages under 35 U.S.C. § 284 until the patentee makes a charge of infringement. Pet. 5.

In support of its position that immutable consequences must necessarily follow even from a temporary failure to mark, petitioner offers only reiterations of its version of the statute. Pet 8-9. Petitioner's assertions completely ignore the permissive language of § 287(a) and that § 287(a) does not establish a time limit in which marking must occur. Petitioner's argument culminates in the contention that the Federal Circuit "wrote into the statute" a non-existent exception. Pet. 8-9. Petitioner even presumes to rewrite § 287(a) in the way that the Federal Circuit supposedly "treated the statute." Pet. 8-9.

No such statutory rewrite was necessary for the court below and the other courts addressing this issue to have decided as they did. As the statute *is written*, marking of the patented product is permissive, and the statutory consequence only occurs "[i]n the event of a failure so to mark." 35 U.S.C. § 287(a). After AMS began consistently shipping marked products, there was no "failure so to mark," the statute was complied with, and there was no basis for any further imposition of the statutory consequences or deferral of damages under 35 U.S.C. § 284. The court below had no need to rewrite § 287(a) to insert an intermediate date for the commencement of damages. The Federal Circuit's decision linking the statutory consequences to the duration of the "failure so to mark"

was in keeping with the plain statutory language, the legislative history and all pertinent precedents.[3]

II. The Decision Below Was Not Inconsistent With The Policies Underlying The Patent Laws Or With Supreme Court Precedent.

Petitioner argues that the decision below is "inconsistent with the policies underlying the patent laws, including those outlined by this Court in its precedent." Pet. 10. This "public policy" argument consists of little more than a series of generalities gleaned from Supreme Court cases having nothing to do with the specific issue of marking under 35 U.S.C. § 287(a). Petitioner has simply failed to point to any inconsistencies between the Federal Circuit's decision and the purpose behind § 287(a).

Petitioner first refers to the "important public policy served by the patent laws in differentiating between ideas subject to patent protection and those freely available," citing six Supreme Court cases. Pet. 10.[4] There is no disagreement with respect to this

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[3] Petitioner's assertions that AMS deliberately withheld a charge of infringement to avoid creating declaratory judgment jurisdiction is irrelevant to the issue. A patentee has no obligation to charge infringement under § 287(a); the reference to notice of infringement therein is applicable only during the period in which there is a "failure so to mark" the patented products.

[4] The cases cited by petitioner are *Bonito Boats, Inc.v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-51, 156, 159-62 (1989); *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262, 264 (1979); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-81 (1974); *Lear, Inc. v. Adkins*, 395 U.S. 653, 656, 668-70 (1969); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230-31 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 247 (1964).

broad policy. However, this broad policy does not address the specific issue of whether the court below followed the law in interpreting § 287(a) to allow damages to commence once there was no failure to mark. Indeed, the decision below, by giving an incentive to mark even though there was an initial delay, abets the broad policy of "differentiating between ideas subject to patent protection and those freely available" by providing an incentive to a patentee to mark its product as quickly as possible even where there is a brief delay, thereby providing the earliest possible notice to the public that the product is patented.

The petitioner goes on with further generalities, referring to free exploitation of ideas as the rule and federal patent protection as the exception, citing *Bonito Boats*, 489 U.S. at 151. MEC refers to this Court's statements therein, *Id.* at 162, that patent marking "provides a ready means of discerning the status of the intellectual property embodied in an article of manufacture or design" and that the "public may rely upon the lack of notice in exploiting shapes and designs accessible to all." Pet. 11-12. The quoted language appears in a discussion about administrative problems generated if states were allowed to create patent-like rights in various products in public circulation. These generalities likewise have nothing to do with the commencement of damages under § 287(a). To the extent they are applicable to this case, the Federal Circuit's decision actually augmented the public policy of encouraging the marking of patented products even though there may have been an initial delay. App. 30.

Although the *Bonito Boats* decision was far afield from any interpretation of § 287(a), the petitioner

nonetheless contends that the decision below "conflicts with the Court's reasoning . . . in *Bonito Boats*." Pet. 15. The conflict is unfathomable. *Bonito Boats* addressed what limits the federal patent system placed on the ability of the states to offer substantial statutory protection to utilitarian and design ideas which the patent laws left otherwise unprotected. See 489 U.S. at 143. It held that the states could not create patent-like rights in various products in public circulation. No issue of patent marking or statutory construction of § 287(a) was presented or discussed in *Bonito Boats*, which dealt with a federal-state conflict having no resemblance to the precise issue here.

Petitioner's additional statements that the decision below "conflicts" with *Bonito Boats* (Pet. 15), that it runs "afoul of the law" (Pet. 16), and that it is "inconsistent" with policies "outlined by this Court in its precedent" (Pet. 10) manifest petitioner's misapprehension of the meaning of precedent. In this case, precedent consisted of prior decisions construing § 287(a) in an entirely consistent manner with that of the Federal Circuit, App. 30. None of these cases are even mentioned in the petition.

Contrary to petitioner's assertions, the Federal Circuit gave cogent, sensible public policy reasons for deciding as it did, stating at App. 30:

> Furthermore, allowing recovery of damages from the point of full compliance with the marking statute furthers the policy of encouraging marking to provide notice to the public, even if initial marking after issuance of the patent is delayed. The sooner one complies with the marking requirements, the

> more likely one is to maximize the period of time for recoverable damages. To prevent recovery of damages for failure to immediately mark, however, provides no incentive for a patentee who inadvertently or unavoidably fails to mark initially to mark in the future.

The Federal Circuit, as had the courts previously construing the statute, thus linked the damages preclusion to the duration of the failure to mark. To do otherwise would provide a field day for infringers in cases where a brief delay in marking might occur. Such infringers could enjoy freedom from damages for over 16 years if they could escape detection or otherwise avoid being "notified of the infringement" by the patentee. Under petitioner's interpretation of the statute, that result would prevail even if the patentee began consistent marking after only several months and continued its marking for almost the entire 17 year existence of the patent. This result was repugnant to the Federal Circuit and to all courts that had previously interpreted § 287(a). They were unwilling to construe the statute in a way that would relegate a patentee to such an abyss or to provide such a benefit for opportunistic infringers.

There is no dispute that the purpose of § 287(a) is for the information of the public. Nothing in the Court of Appeals decision conflicts with that purpose. The reasonable interpretation by the court below encourages prompt marking by permitting recovery for the period when the marking provision is complied with, and it also provides an incentive for prompt marking by denying recovery for the period when no marking occurred. An individual who copies an unmarked product in the market is always at risk that the article

being copied is or may become patented. The time and investment bringing that product to market will be lost even when actual notice is given at a later date. Section 287(a) gives no basis for distinguishing actual and constructive notice in this regard. While marking under § 287(a) is no longer mandatory, the decision below encourages a patentee to begin marking as soon as possible, thereby providing the earliest possible notice to the public that the product is patented and maximizing the period of time for recoverable damages. In most instances, this would occur prior to any actual notice which depends on a patentee's ability to locate infringers.

MEC's interpretation would reward infringers who know of a patented product through marking but are able to keep their infringement secret from the patentee, perhaps for many years, by allowing them to avoid damage liability until such time as they can be located and served with actual notice. This was not a policy objective behind §287(a). Petitioner's interpretation to this effect will frustrate the underlying statutory objective of encouraging patentees to mark patented articles promptly.

The marking provision in § 287(a) is clearly related to the recovery of damages. The incentives and benefits of marking provided in § 287(a) logically are damage oriented. Section 287(a) is an exception to the general damage rule of § 284 and acts as a *limitation* on damages, not a "penalty." However, it is a limitation that applies only until consistent marking is accomplished or actual notice is given.

Petitioner further debases the meaning of precedent by citing three Supreme Court cases for propositions such as "substantially all products must be marked"

(Pet. 12), *Providence Rubber Co. v. Goodyear*, 9 Wall. (76 U.S.) 788, 801 (1870); patentees "cannot recover damages" unless there is marking or notice of infringement (Pet. 12-13), *Dunlap v. Schofield*, 152 U.S. 244, 247-48 (1894); or that a patentee has a "duty" to mark (Pet. 13), *Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 387, 393 (1936).[5] All of these cases were decided under predecessor statutes which, as noted *supra*, did place a mandatory "duty" on patentees to mark. These cases are not precedent under § 287(a), which became law by the 1952 amendment that abrogated any "duty" to mark. The court below was correct in not applying the pre-1952 statute and related precedents.

After stating that the marking statute was meant to minimize the possibility that the "public might innocently believe a patented article can be copied" (Pet. 13), petitioner attempts to cloak itself in such innocence by pointing to respondent's brief delay in marking and unwillingness to trigger a declaratory judgment action by giving notice of infringement. Pet. 14. Petitioner can scarcely don such a mask of innocence, for it was apprised of the patent by respondent in the month following issuance and so flagrantly persisted in its infringement that petitioner was found guilty of willful infringement.

Petitioner then contends that there is an "unjustified inconsistency" in the Federal Circuit's decision

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[5] The *Wine Ry.* case actually addressed whether a patentee who had *never* manufactured or vended an article under the infringed patent was barred from recovering damages when no notice was given to the accused infringer prior to the patentee's filing a counterclaim for infringement. The decision thus dealt with different facts under a different statute.

in that a patent owner that continually distributes 25% of its patented products unmarked is treated differently from the patent owner that initially fails to mark its product and then consistently marks the product. Pet. 14-15. At some point after marking is begun consistently, it can be said that 25% was unmarked—but it cannot be said that the "harm to the public is the same." Pet. 15. In the instance where consistent marking is begun, the point where 25% remains unmarked is only a momentary point, after which the unmarked percentage drastically diminishes as further marked product is shipped, with the ultimate likelihood that 100% of the product in the field will be marked. The Federal Circuit's decision recognizes this reality in treating the situations differently. Petitioner's assertions that the Court of Appeals reached a "curious outcome" is based solely on flawed mathematics. Pet. 15.

This same flawed mathematics pervades petitioner's argument that the Federal Circuit's decision will bring about thousands of unmarked products—so-called hidden mines in the sea of ideas. Pet. 16. The decision below will effect an opposite result. The patentee has no reason to delay marking when a patent issues; when a delay occurs, it is normally "inadvertently or unavoidably," caused, as noted by the court below. App. 30. The Federal Circuit's decision has nothing to do with encouraging a patentee to delay marking. But it does encourage the patentee to minimize the so-called undetonated mines by marking consistently as soon as possible and continuing to mark so that soon there will be no unmarked products in the field. Absent this incentive inherent in the Court of Appeals decision, the patentee's initial delay in marking would

consign the patentee for the life of the patent to a requirement to give notice of infringement before recovery of damages can commence. Under such a state of affairs, there would be less incentive to mark because all would be lost by the temporary inadvertence at the outset. There is absolutely no merit to petitioner's argument that the decision below "will improperly impede the use of ideas in public circulation by removing a clear demarcation between ideas in the public domain and those subject to the private rights of patent owners." Pet. 16.

Similarly, the decision below did not wrongly assume that damages for infringement is the "only incentive" a patentee has to mark its product. Pet. 17. Nothing in the Federal Circuit's decision refers to the damages aspect as the "only incentive" for prompt marking. The decision does provide a compelling incentive to mark, however, one that is far more quantifiable in effect than petitioner's generalized suggestion that marking "serves to deter potential infringers." Pet. 17. Indeed, petitioner's generalized suggestion is belied by its own conduct. AMS's subsequent consistent marking and petitioner's knowledge of AMS's patent did nothing to deter petitioner from its continued willful infringement in this case.

It is hardly correct to say that under the Federal Circuit's decision "patent owners need not concern themselves with marking immediately" or that "[f]ew patent owners will indulge in efforts to immediately mark." Pet. 17. The Federal Circuit's decision calls out for marking as soon as possible in order to commence the right to obtain damages. It does not encourage a delay in marking, for any delay works against the patentee under the decision below.

The Federal Circuit's decision is not a "significant departure from Supreme Court precedent" (Pet. 18) and is not "at odds with the strong federal policy of protecting the public's right to use freely circulated *unpatented* ideas" (Pet. 19). This case has nothing to do with "*unpatented* ideas" and violates no Supreme Court precedent no matter how loosely precedent is defined. The Supreme Court cases cited by petitioner amount to little more than name-dropping of important cases; the cited cases either applied to the pre-1952 marking statute or to issues of far different, far greater significance than the issue of when patent infringement damages should commence to run against a willful infringer when there is a brief delay in marking. The truly applicable precedents construing § 287(a) after it became law in 1952, *supra*, have been inexcusably omitted from the petition. As a result, the petition presents an unbalanced, incomplete statement of both the law and the underlying policy considerations.

III. The Petition Does Not Address An Issue Of National Importance.

The decision below simply interpreted 35 U.S.C. § 287(a) in the same way it had been interpreted by two different circuits and several district courts. It is a deception, therefore, for petitioner to assert that this Court must intervene because of the Federal Circuit's currently established "exclusive jurisdiction" over patent appeals. Pet. 20. While there is no longer a possibility of conflict among circuits, the petition conveniently overlooks that the Federal Circuit's decision was in complete accord with prior circuit court and district court decisions. And the decision was rendered by a court having special expertise in patent

issues. Such a state of affairs, which relates solely to the quantum of damages payable by infringers in situations where there is a brief delay in patent marking scarcely suggests an "issue of national importance." Pet. 19.

The court below did not engage in "eviscerating the penalty designed by Congress" (Pet. 19), but merely interpreted § 287(a) in a manner consistent with its plain language, the policy behind the statute and the precedents directly on point. The interpretation struck an even-handed balance between patentee, infringer and the purpose behind the statute. It served to encourage marking as soon as possible after patent issuance if there was an initial delay in marking. Nothing in the decision discourages marking, nor justifies petitioner's wildly exaggerated assertion that: "Innovation is likely to be deterred" by reason of the decision below. Pet. 20.

CONCLUSION

For the reasons stated, the petition for a writ of certiorari should be denied.

Respectfully Submitted,

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